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Memorandum for:

For Steven Watkins, EUR/CAN Dept. of State,
requested for inclusion in briefing book
for London Economic Summit.



19 April 1984

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Canada at the London Summit

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Canada's Summit position will be conditioned by Prime Minister Trudeau's imminent retirement, [redacted] and the near certainty of a Canadian election in 1984. Trudeau is likely to support most US economic positions, particularly those he thinks will protect the recovery and thereby enhance his government's reputation for economic competence. On such political issues as disarmament and acid rain, however, Trudeau is likely to insist on Canadian positions and be less concerned with maintaining Summit harmony. [redacted]

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Economic recovery is now more rapid in Canada than in most summit countries, although lagging the United States. The stronger US recovery and greater success at reducing inflation are driving Canada's dollar down and interest rates up. In London, Trudeau will call for coordinated, non-inflationary growth and better surveillance mechanisms to promote convergence of inflation rates. If interest rates escalate rapidly before the Summit, Trudeau is likely to criticize strongly US budget deficits and monetary policy. [redacted]

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Because of continuing high unemployment, Trudeau will push for discussions of industrial restructuring. [redacted]

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[redacted] Trudeau may propose creating a "data bank" of industrial restructuring experiences to be shared in the OECD, IMF, or GATT. [redacted]

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Trudeau wants several Williamsburg themes reaffirmed at London. He probably will urge continued trade liberalization and endorse a new multilateral trade round for the middle of the decade. He will emphasize long-term solutions to Third World debt, rather than simply crisis management, through strengthening the IDA and increasing funding for the World Bank. [redacted]

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Ottawa guardedly backs US space station plans, but is under public and parliamentary pressure to ensure no Canadian equipment is used for military purposes. Although Trudeau is eager to provide Canadian equipment for the enterprise, he may hesitate to sign on without European and Japanese involvement. [redacted]

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Trudeau probably will try to turn the Summit's political discussions to the advantage of his Liberal Party, now 12 points behind in the polls. He almost certainly will seek a strong commitment to disarmament in the Summit's final communique, which would provide a fitting conclusion to his personal peace initiative and reaffirm the Liberals' traditional commitment to peace. Trudeau also will raise the issue of acid rain, which will provide him the opportunity to demonstrate a personal commitment to environmental purity and assume a position appealing to the Canadian electorate. [redacted]

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